

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7044**

**BILL NUMBER:** HB 1797

**DATE PREPARED:** Jan 31, 2001

**BILL AMENDED:**

**SUBJECT:** Sales Tax Exemptions.

**FISCAL ANALYST:** John Parkey

**PHONE NUMBER:** 232-9854

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that transactions involving machinery, tools, and equipment are exempt from sales and use tax if the person acquiring the property acquires it for direct use in furnishing local or intrastate cable television service.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This new exemption would reduce the sales tax revenue the state could collect on transactions involving the machinery, tools, and equipment used for furnishing local or intrastate cable television service. The impact of this bill on future state revenue is currently unquantifiable, as it is contingent upon future expansions and development of the infrastructure required to furnish local or intrastate cable television service. However, given the expected growth in the number of entities that provide cable television services in Indiana, the potential loss of state revenue is expected to be significant.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund ( 40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

*Background Information:* Under current law, certain transactions involving telecommunications equipment are exempt from the sales tax if that equipment is used for providing telecommunications services. Technological advances, however, have begun to blur the distinctions between equipment used for telecommunication and other services. Firms are now able to use the same infrastructure to provide both telephone and cable services, whereas previously two separate systems would have developed. The Department of Revenue's current procedure in these mixed-use cases is to exempt equipment transactions if the equipment is predominately used for providing telecommunications services. Transactions involving the purchase of equipment to provide cable services are currently subject to sales tax.



**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Tom Conley, Department of Revenue, 232-2107.